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ABSTRACT

Public policy issues relating to federal assistance to colleges struggling to survive in the 1980s are addressed. Special challenges to postsecondary education result from declining enrollments, inflationary cost spirals, and lack of public confidence in education. Questions are raised in regard to the following five public policy alternatives, based on research and background papers that were part of the legislative process in the reauthorization of the Higher Education Act during 1980: (1) manipulation of student financial assistance formulas to favor certain segments of postsecondary education; (2) display of models of management practice and academic excellence; (3) provision of assessment tools and collection of data nationally on the financial health of institutions; (4) direct federal assistance such as that provided under Title III of the Higher Education Act; and (5) assistance in institutional management. Currently 94% of federal assistance to higher education is in the form of student financial aid. An important issue is aid provided to students attending private colleges. In regard to quality in postsecondary education, it is suggested that federal funding of research and innovation is likely to take place in strong institutions, since the weaker institutions have the least capacity for innovation and change. One effort that is underway is a study by the National Center for Education Statistics to analyze data from the Higher Education General Information Survey to see if it can be used to determine financial health, or to suggest data elements to be added or format changes to be made. Attention is directed to the Institutional Aid Program (formerly Strengthening Developing Institutions Program), the only program of direct financial assistance. (SW)

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WHAT ROLE (IF ANY) SHOULD THE FEDERAL GOVERNMENT PLAY IN PROVIDING SUPPORT TO INSTITUTIONS WHOSE STRESS PROBLEMS THREATEN THEIR SURVIVAL?

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The decade of the eighties will pose special challenges to postsecondary education. Declining enrollments, inflationary cost spirals, and lack of public confidence in education forebode trouble for many institutions. Public policy decisions may, in fact, be the determinant of the survival or demise of certain types of institutions. Should the rate of closure of institutions accelerate during this decade, as forecasts indicate, cries for direct federal intervention will be likely to arise. If program cut-backs affect students from particular regions, economic backgrounds, or ethnic backgrounds unequally because of the uneven distribution of types of students among types of institutions, then federal interest in providing access and choice will be aroused.

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The decade of the eighties will pose special challenges to postsecondary education. Declining enrollments, inflationary cost spirals, and lack of public confidence in education forebode trouble for many institutions.

It may seem ridiculous to raise the question of an appropriate federal role with financially troubled colleges when only last fall the President of the United States in a press conference stated that he had asked the new Secretary of Education "to look at the appropriate role of the federal government in education, if there is one, and to report back." According to Finn (1981), this question is illustrative of the vast philosophical departure of the present administration from past chief executives. Not since the Soviet launching of Sputnik nearly a quarter century ago convinced Eisenhower that something needed to be done nationally to strengthen school science and math instruction have we had a chief executive with fundamental doubts about the very existence of an "appropriate" federal role in education.

According to Edith Green, former member of the House Education and Labor Committee, the rate of growth of federally funded education programs has been greater than the Office of Education's capacity to administer them wisely and efficiently. From $283.8 million in 1958,

the federal budget for education grew to $1.6 billion in 1965, $3.8 billion in 1970, $7 billion in 1975, and $14.5 billion in 1980. All five presidents between 1960 and 1981 participated in this expansion of the role of the federal government in education.

If there has been a fundamental shift in philosophy and there is now to be a diminished federal role in education, what could cause the federal government to provide support directed specifically toward financially troubled colleges?

Public policy decisions may, in fact, be the determinant of the survival or demise of certain types of institutions. Should the rate of closure of institutions accelerate during this decade, as forecasts indicate, there will likely arise cries for direct federal intervention. If program cut-backs affect students from particular regions, economic backgrounds, or ethnic backgrounds unequally because of the uneven distribution of types of students among types of institutions, then federal interest in providing access and choice will be aroused.

Most analysts agree that now is not the time for new legislative initiatives. Under this assumption, the following are among the public policy alternatives: 1. manipulation of Student Financial Assistance formulae to favor certain segments of postsecondary education; 2. display of models of management practice and academic excellence; 3. provision of assessment tools and collection of data nationally on the finarcial health of institutions; 4. direct federal assistance such as that provided under Title III of the Higher Education Act; and 5. assistance in institutional management.

My interest in this topic arises from an internship placement in the Developing Institutions Division of the Bureau of Higher and Continuing Education, U. S. Office of Education, which became the Department of Education during my intern year.

This program provides federal financial assistance to help eligible institutions of higher education "to solve problems that threaten their ability to survive." Since by definition these institutions are "struggling for survival," one may infer that the Federal government is, in fact, already assuming a general assistance role with a significant number of troubled institutions.

I expect to raise questions relative to the five public policy alternatives listed above. I will draw upon some of the research and background papers which were a part of the legislative process in re-authorization of the Higher Education Act during 1980.

Student Financial Assistance - Manipulation of Formulae to Favor Certain Segments of Postsecondary Education

Currently this comprises 94% of federal assistance to higher education. It is the principal force for access and choice consistent with the traditional federal interest in higher education. There is general agreement, however, that student financial assistance has been more successful in opening access than in providing choice or assuring quality.

Beginning the reauthorization process with remarkable agreement among various segments of higher education, some of this cohesion fell apart under budget constraints. Congress had advised higher education

interest groups to come together among themselves rather than weakening public support for education by battling on the floor of Congress. Today the tensions are very great, since the private sector has benefitted disproportionately from some of the programs proposed by the administration for elimination or greatly reduced funding.

The conscious decision to place federal dollars in the hands of students, considered with the increasing cost differential between public and private colleges, could cause the shrinkage of the 80's to fall more heavily in the independent sector.

Displaying Models of Excellence - Research, Demonstration, Dissemination

Quality is almost certainly going to turn out to be the foremost national education concern of the 1980's, much as equity was the premier issue of the 60's and 70's. The key difference according to Finn (1981), is that all three branches of the federal government had obvious roles to play in making educational opportunities equal and in striking down various forms of discrimination. Washington's ability to foster quality is more limited, and the questions of appropriateness are genuine.

The theme of the 1980 meeting of the American Association for Higher Education was "Improving Quality during Hard Times." Much of the discussion focused upon the need for continued federal support of the research universities. It was pointed out that planning for the 80's must involve deliberate choices among programs, among colleges. Otherwise diminishing resources could result in dilution of quality for all of postsecondary education.

The first Secretary of Education, Shirley Hufstedler, spoke of wanting to gather and display a "showcase of educational jewels." The Fund for the Improvement of Postsecondary Education is one program which fosters this goal. It is often held up as a model for other federal agencies. With relatively small grants, it has brought about changes which are continuing beyond the period of federal support.

But it should be immediately evident that federal funding of research and innovation is likely to take place in strong institutions - those most capable of carrying out the projects - also those most capable of weathering the storms of the 80's. The weaker institutions have least capacity for innovation and change.

Assessment of Financial Health - Providing Assessment Tools and Gathering National Data

There is a great deal of interest in this topic. Several efforts of the federal government are underway. One study by the National Center for Education Statistics is analyzing HEGIS data to see if it can be used to determine financial health; if not, to suggest data elements to be added or format changes to be made.

Under contract by the Department of Education, in cooperation with the American Council on Education and the National Association of College and University Business Officers, manuals have been developed by which small private colleges and community colleges can make an analysis of their financial conditions relative to other similar institutions.

A second effort, more comprehensive in scope, by the same groups is attempting to analyze data on a national basis and to develop case studies from the field. Preliminary analyses of the data suggest that regional differences may be as important or more so than institutional type. An obvious example is that the independent sector in the northeast may be stronger than elsewhere in the country.

The policy issue is: What should be done with this data? Will it be sufficient to feed the information to policy makers at the state level and expect them to take appropriate action? Suppose it is found that junior colleges in Mississippi are in real trouble, would the state take corrective action?

Direct Federal Assistance such as that Provided under Title III of the Higher Education Act

The Institutional Aid Program (formerly Strengthening Developing Institutions Program), as the only program of direct financial assistance, serves as a barometer of fiscal stress in the colleges.

The agency has been under fire since an unfavorable GAO Report in 1979 stated that the "program lacks direction." I feel that much of the criticism that the program has been mismanaged is unjustified. Rather, the management problems arise from the fact that the program is highly politically sensitive, that the legislation has not been explicit in intent, and that the program has become such an important source of funding for many institutions. In contrast to many discretionary grant programs where the awards are smaller and more targeted, Title III provides basic institutional support toward objectives set forth in the long-range plans of the eligible colleges.

The program had its origin in an effort to assist historically black colleges caught in conflicting social policies and legal battles which often result in an effect exactly the opposite of that intended. The new legislation is explicit in providing a guarantee that, under Part B, traditionally black colleges will receive not less than 50% of the amount they received in FY 79.

Current eligibility criteria include a high percentage and average of PELL awards and low educational and general expenditure per full-time equivalent enrollment. The policy question to be asked is: Is it appropriate for the only program of direct institutional assistance to be so closely aligned with student assistance formulae or should it, instead, be targeted to balance adverse external factors to certain segments in postsecondary education? There has been a shift in recent years in the ratio of independent to public institutions meeting eligibility criteria with fewer four-year private colleges able to qualify. This gives little hope that this program can be the salvation of the private sector of higher education - that sector which is likely to be hardest hit by declining enrollments in the 80's.

Strong pressures for more funds are being brought in behalf of the community colleges. (State policies of reduced funding are driving more and more of these institutions to seek federal support.) Indeed, the new Title III legislation changes what was once a ceiling of 24% of the funds allocated for community college to a floor of like amount. It provides that a minimum of 24% of the funds under Part A and not less than 30% of the funds under Part B will be allocated for

junior and community colleges. Yet the Brookings Institution, in its recent study of Financing Community Colleges (1980), advocates that if it is desirable for community colleges to evolve as community based learning centers, then they should look more to local and private agencies for financial support and less to state and federal governments.

And finally, is it sound policy to continue to fund educational programs and student services within institutions where management practices give little hope that the colleges can cope with the difficult 80's? This leads to the final policy consideration -

Assistance in Management - Is There Any Legitimate Role for the Federal Government in Institutional Management?

I realize this is a dangerous topic - especially so in light of the posture of the present administration to reduce government interference in educational matters. But is it responsible, with the federal government either directly or indirectly paying approximately one-third the cost of higher education, not to have some say in how the money is used on behalf of the consumers and not to determine whether or not the funded institutions are viable?

Again, my interest comes from my experience in the Developing Institutions Program. As part of a special initiative of a former Secretary, certain Title III funded institutions were identified for special monitoring and technical assistance intended to assist them with management and fiscal problems which could threaten their existence.

Through multiple criteria, forty-one institutions were identified. In general, these institutions suffered from: declining enrollments (a problem that will be exacerbated in the next few years), chronic cash flow problems, increased institutional borrowing, deferred maintenance, declining donations, nonexistent or reduced endowment funds, over-reliance on federal funds.

Interestingly, even though Title III supports administrative improvement activities, less than half the colleges identified for visitation had such components within their funded projects.

The Congress is not unaware of these problems. The preface to the new Title III bill includes the following concerns:

> Many institutions of higher education in this era of declining enrollments and scarce resources face problems which threaten their ability to survive;
>
> The problems relate to the management and fiscal operations of certain institutions of higher education, as well as an inability to engage in long-range planning, recruitment activities, and development activities.
>
> These institutions . . . play an important role in the American system of higher education, and there is a strong national interest in assisting such institutions in solving problems and in stabilizing their management and fiscal operations.

The new legislation therefore provides assistance to help institutions "stabilize their management and fiscal operations so that they may achieve self-sufficiency."

There has been some momentum over the past few years for the creation of a Higher Education Assistance Unit. Plans are sketchy as to just how this Unit would operate. It would be the intent that the Unit would gather and coordinate reports from all of the agencies providing assistance. From an analysis of needs which these reports reveal, the Unit could: provide technical assistance, conduct workshops, prescribe remediation (as with current practice of executing "limitation agreements"), modify Title III awards to include management improvement component.

There is an inherent danger - suppose the college follows all recommended courses of action and still fails. Would the federal government be responsible?

The policy alternatives outlined range from the most indirect and nonobtrusive to the more direct and forceful intervention. What will the choices be? What will be the consequences to diversity within the system of American higher education?

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